Weekly Report

Deal all,
Here is the last Weekly for us serving as co-editors. We want to thank Toby and William for trusting us and offering the position. We changed the design and structure of the Weekly, what we consider to be a great success. But the most importantly the Weekly Report was a platform where new Griff Investment Fund analysts could develop their writing style, learn how to structure their own opinions and back them with respectable sources. We wish the best of luck to the new co-editors of the Weekly - Lorna and Tom!

Gabriele and Isobel

Selected Market News

China's string of financial sector reforms have continued this weekend, with the People's Bank of China announcing changes to the mobility of the renminbi. They have increased the mobility of the currency by changing the exchange rate policy against the US dollar, doubling the renminbi's trading band to 2% above and below the fixed rate announced each morning. This widening of the band means that China has made a definite step towards its longstanding goal of higher two-way volatility in the renminbi.
In other Chinese news, leaders have agreed to invest 1 trillion yuan to kick-start urbanisation – redeveloping shantytowns and millions of households. This should help promote domestic consumption, and is hoped to make the economy's growth rely less heavily on exports and investment.
Meanwhile in the US, a regulator has accused a number of banks of manipulating the Libor. In total, 16 banks have been sued, for the serious losses that 38 US banks have suffered as a result of the manipulation. Also this week, US stocks and equities fell.

M&A Update

What is Google up to?

Google is very well known in the M&A world for acquiring small companies with lots of potential, ranging from social mapping applications to payments technology platforms. Google is now focused on connecting infrastructure, products, and applications that it already has to enable people to communicate in real time. One could say that Google is already a big data empire, but the company aims to be around customers 24/7 by creating interconnected, automated homes. In addition, solutions by artificial intelligence firms are necessary for Google's translation and speech technologies. Lastly, this year Google should be looking to buy companies that would help create a marketplace on top of search to avoid falling behind Amazon in e-commerce and shopping. Since 2001 Google has acquired 146 companies, of which seven were already bought in 2014.

Google's M&A off to fast start in 2014

The year started with the attainment of a popular alarm clock application called *Timely*, which is especially known for its beautiful design. *Timely* could replace clock application in Android or the team could join Google to work on the future designs.
The latest purchase was the Android-based game system and controller *Green Throttle*. This week it fuelled speculations that Google is planning to offer its own set-top unit.
Google paid $3.2B in cash for *Nest Labs*, the maker of fire alarms and smart thermostats. It was the second-largest acquisition to date after purchase of Motorola Mobility in 2011 for $12.5B. Acquisition of *Nest Labs* is

another strategic step for Google in creating world of more connected homes. Thermostats are just the beginning for *Nest Labs*, and the company will continue working in home automation projects. Google seems to aim at creating more comfortable, efficient homes. *Nest Labs* co-founder Matt Rogers says: “It reminds me of the days when we used to have these Internet portals. Now, there are all these other services, like Google Now, where it just sends you an alert that you need to go to the airport now. That experience hasn’t transferred to the home yet, but it will in the next few years.”

Google also bought two internet security companies. One of them is the sound-based password alternative *SlickLogin*. Instead of remembering hundreds of passwords, all you need to do is hold your phone within a few inches of your computer. You go to any of *SlickLogin*-enabled websites you wish to log into, and a sound inaudible to the human ear is played that phone picks up, analyzes and confirms your identity, ultimately letting you access the website. All three founders previously worked for the Israeli Defense Force, therefore all security issues seem to be covered, which means that even if you record the audio signal, when you play it back later it is no longer going to be active. The second company is an Indian start-up called *Impermium* that builds cyber security products for websites. It could have been bought not only for their technology, but also for the talented team that previously worked for Yahoo.

Lastly, Google has already acquired two British companies. One of them is a 3-year-old start-up that built an ad fraud fighting operation called *spider.io*. Google said its main priority is to include *spider.io*’s fraud detection technology in their videos and display advertisement products. But in the long term the main focus will be to enable marketers to see which of their ads actually reach people. And finally the second British company that was acquired for $400M is the artificial intelligence start-up *DeepMind Technologies*. Although not confirmed it is said that Google CEO Larry Page led the deal himself. *DeepMind* can combine advanced technologies from machine learning to build general-purpose learning algorithms that can be used in e-commerce and games.

Google believes in M&A

Google is a big long-run player, trying to strengthen all segments of its business. Closing transactions almost every two weeks, the company is looking to acquire start-ups that solve a problem. Don Harrison, Google Vice President of Corporate Development, said they apply the toothbrush test when looking at the companies, asking whether the consumer will use the product once or twice a day. If the company meets these two main criteria, Google will look at it even if it is not generating any revenue. As Mr. Harrison says, “Google believes in M&A”.

Equities

G4S are set to pay out £109m as a refund for overcharging the government on previous criminal tagging contracts. This is more than four times what they were expecting to pay and they are still banned from signing future government contracts. This news comes on the same day that they announce a £342m loss for the full year results of 2013. Both G4S and Serco, their main rival (who were also fined £68.5m in December for a similar scandal), have been involved in scandals relating to their government contracts division in recent years, but Serco have been able to sign new government contracts after their ban was lifted in January 2014.

Poundland Group and Pets at Home Group have both had their IPO this week. Poundland soured on its first day of trading, peaking at £4 a share (up from £3.50) before closing the day at £3.70 a share. This is of course much higher than what they charge for their products. Pets at Home comparatively ended the day 7.5p lower than their starting price. Meanwhile, on the subject of share prices, SuperGroup continues to break share price highs - setting the new bar at £17.49 per share. This isn't quite the highest of its history but it's the highest it has been since its dip in 2012. There hasn't been any specific news this week that has caused a continued increase other than that investors are still pouring in.

Copper and iron ore prices were down at the start of the week as China import Adata was worse than expected for February. This affected top FTSE miners, which in turn dragged the FTSE 350 down. However, this drop was short-lived as ore prices and FTSE miners started recovering mid-week.
Supermarkets were hit hard this week, Morrisons reporting a £176m loss before tax. Sainsburys and Tesco were affected by this as there could be a price war starting. On the note of supermarkets, over the last couple of months there's been speculation that Tesco and Asda may offer a takeover bid for Mothercare. Part of Morrisons' loss has been put down to their struggling Kiddicare division. It will be interesting to see how this recent news plays on the Mothercare speculation.

Commodity Market Overview

Agricultural commodity prices are expected to become more volatile over the coming months as there have been warnings of El Nino developing this spring. El Nino is the name given to the phenomenon that occurs every 3-7 years causing warmer waters in the Pacific resulting in a cycle of droughts and floods in different parts of the world. Historically, agricultural commodity prices have been exceptionally volatile whilst El Nino is occurring, especially coffee, vegetable oil and cocoa. The effect of weather will have been priced into some commodities, but it is too early to say how strong El Nino will be and how widespread the damage could be. So far this year agricultural commodities have performed well, Cocoa has risen by 8% and Palm oil is up 9% this year to date.
Oil prices are forecast to fall this year from last year's average of $110 bbl to $105 bbl for 2014/15. Although non-OPEC suppliers are usually seen as price-takers (that is they accept market prices rather than influence it), the recent growth in the supply of oil from non-OPEC suppliers has exceeded growth of global consumption of crude oil and as result it is expected to help push the price down in the coming year. Brazil, the US and Canada are particularly expected to be the big drivers of this non-OPEC supply growth, which is expected to reach 3.1 bbl/d in 2014 compared to 1.3bbl/d in 2013. Despite recent events in Ukraine, the US Energy Information Administration does not expect this to affect the global demand or supply of oil.

Fund's Results

Holdings	P&L
Viscofan	-9.33%
Diageo	-4.28%
Morgan Stanley	5.46%
Honda	-4.70%
Rolls Royce	-14.77%
IBM	-2.48%
Premier Oil	-2.28%
Elementis	-2.51%
William HIll	8.68%

Performance (%)	-1.16%
Performance (CASH)	-£188.78
Invested Amount	£5 008.99
Cash Amount	£4 991.01
NAV	£9 884.22

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